

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE ADJUSTMENT OF RATES)
OF SHADY VILLA SEWER)
CONSTRUCTION DISTRICT) CASE NO. 8717

ORDER

On November 1, 1982, Shady Villa Sewer Construction District ("Shady Villa") filed its application with this Commission to increase its rates pursuant to 807 KAR 5:076 Alternative Rate Adjustment Procedure for Small Utilities ("ARF").

Three parties moved to intervene in this proceeding and several letters from concerned customers of the district were submitted in opposition to the proposed rate increase. Upon a thorough examination of the record established in this case through information requests, the Commission finds that a hearing should be conducted to provide a complete record as a basis for its decision.

Shady Villa submitted, in response to a request for information, a copy of its bond resolution authorizing the issuance of "Improvement Assessment Bonds - Sewer Project of 1964, " which was not totally legible and not signed by the officials of Shady Villa. Section 3 of the bond resolution states that:

All of said bonds together with the interest thereon, shall not constitute an indebtedness of said District, but shall be payable solely from the 'Shady Villa Sewer Construction District Number 1 Improvement Assessment Bond and Interest Redemption Fund - Sewer Project of 1964,' hereinafter created, and the annual improvement benefit assessment proceeds pledged to said special fund.

Furthermore, Section 7 states that:

In accordance with KRS Chapter 107, the District covenants that so long as any of the bonds authorized by this Resolution shall remain outstanding and unpaid, there shall be levied, and there is hereby levied, beginning with the fiscal year from October 1, 1964, to September 30, 1965, and continuing on a fiscal year basis from October first of each year to September 30th of each year thereafter until the retirement of all bonds issued pursuant to this Resolution, an annual assessment against each and every one of the real properties benefited by said "Sewer Project of 1964,"...

and:

The rate of such special improvement assessment against said benefited properties shall, in each year, be not less than a rate adequate to produce sufficient funds for the payment of the maturing principal and interest of any Bonds authorized by this Ordinance, as may then be outstanding, based upon an arbitrarily assumed single interest coupon rate of 4-1/2% per annum; provided, however, that when said Bonds are duly sold as hereinafter provided, if the interest coupon rate or rates so established and made applicable to said Bonds should be otherwise than a single rate of 4-1/2% per annum, said annual improvement assessment levies shall automatically be adjusted to such sums as are, or may be, required to produce funds sufficient for the payment of maturing interest and principal of any Bonds authorized hereby, at such respective coupon rates as may be so established and made applicable, and to provide and maintain said twenty percent reserve; and with due allowance, as aforesaid, for failure of collection and for a margin of safety to give reasonable assurance against the occurrence of default.

The Commission finds that Shady Villa has not implemented the annual assessment provided for in its bond resolution. Shady Villa should take immediate steps to do so for fiscal year 1983 and begin assessment of the members of the district with the issuance of the 1983 Jefferson County tax bills. Furthermore, the Commission will require that the provisions of the bond resolution be implemented and determine the jurisdictional rates for sewer service as if Shady Villa were collecting this revenue, which may result in a reduction in the

existing sewer rates of Shady Villa. This will be accomplished by a separate show cause proceeding which will be consolidated with this docket for hearing purposes.

Shady Villa may present whatever evidence it deems appropriate on this issue at the hearing scheduled in this matter.

IT IS THEREFORE ORDERED that a hearing be and it is hereby scheduled for May 19, 1983, at 10:00 a.m., Eastern Daylight Time, in the Commission's offices in Frankfort, Kentucky.

IT IS FURTHER ORDERED that this case is hereby consolidated with Case No. 8816 for hearing purposes.

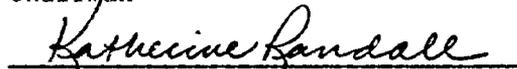
IT IS FURTHER ORDERED that Shady Villa shall give notice of the hearing as is required by KRS 424.300 and in the event notice is given by newspaper publication, the notice shall be published in a newspaper of general circulation in its service area one time not less than 7 nor more than 21 days prior to the hearing giving the purpose, time, place and date of the hearing.

IT IS FURTHER ORDERED that Shady Villa shall file a legible, conformed copy of its bond resolution within 10 days of the date of this Order.

Done at Frankfort, Kentucky, this 29th day of April, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary